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Thomas W. Hayes
Auditor General

June 20, 1988

F-809

Honorable Bruce Bronzan, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 448
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Department of Fish and Game (department) is generally in compliance with specific California Fish and Game Code requirements; these requirements relate to hunting and fishing license operations and summary reports to the Department of Finance regarding license sales and license agents who are delinquent in reporting license sales to the department. However, the department did not promptly submit 4 of its 16 monthly summaries of fee remittance and accounting reports and delinquency reports from September 1986 through December 1987. Finally, the department is continuing to make progress in responding to recommendations from a previous report by the Office of the Auditor General.

Background

In September 1985, the governor approved Chapter 1310, Statutes of 1985. In addition to amending sections of the California Fish and Game Code that affect hunting and fishing license operations, this legislation required the Office of the Auditor General to report by January 1, 1986, on the department's accounting for and fees received from all licensing operations since July 1, 1980, and to conduct, during 1986 and 1987, an annual examination of the fee remittance and accounting reports submitted to the department in addition to the monthly reports that the department submits to the Department of Finance. In November 1985, the Office of the Auditor General issued the first of the three required reports and concluded that the department had poor procedures for collecting licensing and fish tax revenues and had poor controls over data processing activities. The Office of the Auditor General issued its second report in April 1987 and noted that the department had implemented many of the recommendations of the previous report but could still improve its

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licensing operations. This report is the third and last report required by the statute.

Description of the Department's
System for Monitoring License Sales

Each month, license agents prepare and submit to the department license-report forms to report all complete books of licenses that they sold during the reporting period. Department staff review these report forms to determine whether the dates of reported sales agree with the dates of sales listed on the license book covers and whether the amounts of reported sales agree with the fees sent in by the license agent. Department staff also verify the arithmetic on the form and review the postmark to determine whether the license agent submitted the report form on time. At the end of the month, department staff prepare a computer-generated monthly license sales report. This report identifies the total sales for each type of license for the current month in addition to any fees collected for previous license years. Before September 1987, the department prepared a monthly fee remittance and accounting report by combining the amounts from the sale of special types of licenses not included in the computer-generated report with the summary of license sales for all license years. However, as of September 1987, the department submits to the Department of Finance the computer-generated monthly license-sales report and a list of special items as the summary of fee remittance and accounting reports. The department also makes notations to describe those items that should not be included in total sales, such as license sales made on behalf of the State of Arizona.

Description of the Department's System
for Identifying Agents Who Are Delinquent
in Reporting Their License Sales

In November 1985, the department implemented a computerized procedure that generates a series of three letters to license agents who are delinquent in reporting their license sales. If the computer identifies that it has been at least 46 days after the agent's last report, it generates the first letter; it generates the second letter 30 days later, and finally, the third letter 30 days following the second. The department generates the monthly delinquency letters to agents using a cut-off date generally around the twentieth day of the month. The computer also generates a separate list that identifies the license agents by region. This list is the delinquency report, which the department combines with the monthly summary of fee remittance and accounting report and submits to the Department of Finance.

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Scope and Methodology

The purpose of this audit was to determine whether the department is enforcing the California Fish and Game Code, Section 1055.5, and is complying with the Fish and Game Code, Section 1070(a). Under the Fish and Game Code, Section 1055.5, license agents must provide the department with the net fees from their sales of complete books of licenses, in addition to a report accounting for those sales, by the twentieth day of the month following the month in which the sales took place. Any agent who does not comply with this requirement within 30 days following the last day of each calendar month is delinquent, and any fees due are subject to interest and penalties computed beginning 21 days following the last day of the calendar month in which the license agents collected the fees. Furthermore, under the Fish and Game Code, Section 1070(a), the department must submit a monthly report to the Department of Finance that summarizes the fee remittance and accounting reports that it receives each month and a delinquency report containing the name and address of any person who failed or refused to fully comply with the fee remittance and reporting provisions. These reports must be sent to the Department of Finance no later than 45 days following the last day of the calendar month for which they were due.

As required by the Fish and Game Code, Section 1070(b), we reviewed the department's summaries of fee remittance and accounting reports and the delinquency reports submitted monthly to the Department of Finance. Our test period was from September 1986 through December 1987. We also reviewed the department's progress in implementing the recommendations from our April 1987 report.

To determine the accuracy of the summaries of fee remittance and accounting reports that the department submits to the Department of Finance, we examined 160 license-report forms submitted to the department by 149 license agents from September 1986 through December 1987. We examined the reports to determine whether the agent had properly completed the report; then, we traced the information on those reports to the summaries of the fee remittance and accounting reports that the department submits to the Department of Finance to ensure that the summary reports included all license sales reported by the license agents.

To determine the accuracy of the delinquency reports, we tested the monthly delinquency reports that the department submitted to the Department of Finance for the months of February, May, August, and December 1987. We determined whether the department had sent

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delinquency letters to any of the 149 agents for which we had reviewed license-report forms. We then reviewed the supporting documentation to determine whether the agents were actually delinquent and whether those agents were reported as delinquent to the Department of Finance. Finally, we selected 25 agents from the four monthly delinquency reports and reviewed their files to determine whether these agents were actually delinquent.

To determine the department's progress in implementing the recommendations of our April 1987 report, we interviewed department personnel and reviewed the department's periodic responses to our report.

The Department of Fish and Game
Has Generally Complied With Reporting
Provisions of the New Legislation

The department correctly transfers license sales information on the license-sales reports to the summaries of fee remittance and accounting reports that the department submits to the Department of Finance. The information on all of the 160 license-report forms that we reviewed had been correctly entered into the computer system that generates the monthly license-sales report. In addition, the department's monthly delinquency reports properly included the names and addresses of those license agents who were actually delinquent and to whom the department had sent delinquency letters.

However, the department has not always submitted its monthly summaries of fee remittance and accounting reports and delinquency reports to the Department of Finance within the 45-day period stipulated in the California Fish and Game Code, Section 1070(a). Specifically, the department submitted four of the reports late during the 16-month period that we reviewed. The department submitted these reports for the months of July, September, October, and December 1987 to the Department of Finance from 7 to 55 days after the deadline. According to department staff, the change, which began in September 1987, in how the department prepares the monthly reports, caused the delays in submitting the September, October, and December reports to the Department of Finance.

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The Department Continues To Strengthen
Its Licensing Operations by
Implementing Prior Audit Recommendations

In April 1987, the Office of the Auditor General issued a report on the department's compliance with changes to the California Fish and Game Code affecting licensing operations and the department's administration of commercial fishing, fish taxes, and data processing. Although the report noted that the department had made improvements, it made the following additional recommendations:

- Apply the provisions of Chapter 1310, Statutes of 1985, to all licenses on consignment and to all agents as of September 30, 1985, when the legislation became effective. If the department does not agree with this recommendation, the department should seek further clarification regarding the legislation from the attorney general;
- Implement controls to ensure that penalty and interest are assessed on the accounts of license agents who are delinquent in reporting license sales and remitting license fees;
- Develop proper procedures and controls to ensure that license agents who do not report license sales on time are bonded, that license agents' accounts with expired licenses not returned by the proper time are not consigned additional licenses, and that license agents who do not report lost licenses by the next business day of the department are subjected to a follow-up; and
- Continue to improve its administration of commercial fishing, fish taxes, and data processing.

The department is continuing to respond to recommendations made in our April 1987 audit report. Specifically, the department reported that it asked the attorney general to clarify whether the changes to the Fish and Game Code caused by Chapter 1310, Statutes of 1985, applied also to hunting and fishing licenses issued before September 30, 1985, the effective date of the legislation. According to the department, the informal legal opinion of the attorney general upholds the department's interpretation of the law that it does not have to apply the provisions of Chapter 1310, Statutes of 1985, retroactively. In addition, the department reported that it has submitted proposals to the Legislature

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to consider amending the Fish and Game Code to extend the period during which agents must report lost or expired licenses and that these proposals are still pending.

Further, the department has stated that it is using existing procedures and computer programs to document and verify license agents' losses of licenses and to verify that all accounts of license agents who are delinquent in reporting license sales and remitting license fees are assessed penalties and interest. Moreover, in an effort to further improve its administration of commercial fishing, fish taxes, and data processing, the department noted that it has implemented the following improvements: It has offered the warden examination in Southern California to attract candidates for vacant warden positions located in Southern California; it has contacted commercial fish businesses that were previously licensed but have not renewed or upgraded their licenses; it has separated data processing duties so that one person is not solely responsible for both writing computer programs and also running them; and it has improved data processing documentation.

Conclusion

The Department of Fish and Game properly reviews the license sales information submitted to it by license agents and submits complete reports of license sales and delinquent agents to the Department of Finance. However, the department does not always submit its monthly summaries of fee remittance and accounting reports and delinquency reports to the Department of Finance within the 45-day period stipulated in the California Fish and Game Code. Finally, the department is continuing to respond to recommendations from a previous report by the Office of the Auditor General.

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We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter.

Respectfully submitted,


for
THOMAS W. HAYES
Auditor General

Department of Fish and Game's response to this letter.

Memorandum

To : Mr. Thomas W. Hayes
Auditor General
660 "J" Street, Suite 300
Sacramento, CA 95814

From : Office of the Secretary

Date: June 14, 1988
File No.:
Subject: Response to
Auditor
General Draft
Report F-809

We appreciate the opportunity to review the draft of your report entitled, "A Review Of The Department of Fish and Game's License and Revenue Branch."

Attached are our comments on the report which were prepared by the staff of the Department of Fish and Game and approved by the Director.

We are pleased with the outcome of the review and we are in complete concurrence with your comments and findings.



Gordon K. Van Vleck
Secretary for Resources

Attachment

DEPARTMENT OF FISH AND GAME

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**Comments on the Report
"A Review of the Department of Fish and Game's
License and Revenue Branch"**

The Department is pleased with the findings and conclusions contained in the report.

The single discrepancy noted in the report concerns untimely submittal to the Department of Finance of four of the reports required under Fish and Game Code Section 1070(a). This occurred because in September 1987 the License and Revenue Branch (LRB) began making revisions to the report format in order to accomplish certain efficiencies within the Department. The new report format utilizes an IBM personal computer, which was acquired by the LRB to improve the monthly reporting process. In order to assure the accuracy of the reports and the effectiveness of the system, additional reviews and verifications were made on the revenue reports prior to delivering them to Department of Finance. These additional checks and reviews resulted in the late reporting identified in your report. The revised system is now in place and the reports are being delivered timely to the Department of Finance as required under Fish and Game Code Section 1070(a).